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INFO RUCNSAD/SOUTHERN AF DEVELOPMENT COMMUNITY COLLECTIVE
RUEHOR/AMEMBASSY GABORONE 5512
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RUEHWD/AMEMBASSY WINDHOEK 5011

UNCLAS PRETORIA 001148

SIPDIS

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E.O. 12958: N/A

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SUBJECT: SOUTHERN AFRICAN COUNTRIES SIGN ECONOMIC
PARTNERSHIP AGREEMENT WITH E.U.; SOUTH AFRICA ABSTAINS

REF: PRETORIA 00022 AND PRETORIA 00328

11. (SBU) Summary: Botswana, Lesotho, Mozambique, and Swaziland signed the interim EU-SADC Economic Partnership Agreement (EPA) in Brussels on June 4. South Africa did not sign the EPA, nor did Angola or Namibia. The signing of the EPA has raised questions about the future of the Southern African Customs Union (SACU), which is now split into EPA parties Botswana, Lesotho, and Swaziland and non-parties South Africa and Namibia. End Summary.

12. (SBU) Botswana, Lesotho, Mozambique, and Swaziland signed the interim EU-SADC Economic Partnership Agreement (EPA) in Brussels on June 4. South Africa did not sign the EPA, nor did Angola or Namibia. Per reftels, South Africa has objected to the interim EPA since the negotiations began, citing concerns about the impact on regional integration and South Africa's trade agenda with other developing countries. (Note: Article 31 of the SACU Agreement states: "No Member state shall negotiate and enter into new preferential trade agreements with third parties . . . without the consent of other Member States." SACU did not reach a consensus on the EPA prior to the signing in Brussels. End Note.)

13. (SBU) South African Minister of Trade and Industry Rob Davies has warned that South Africa will step up border controls in response to the signing, according to press reports. "We will not be admitting things which do not comply with the rules of origin under the Trade and Development Cooperation Agreement (South Africa's trade deal with the EU)," warned Davies. South Africa's Department of Trade and Industry Chief Trade Negotiator Xavier Carim also told journalists that the interim EPA has implications for SACU customs revenue sharing. He said, "There could be implications for the customs pool and the way customs revenue is shared between the members, because the pool functions on the assumption that the common external tariff is intact ... the future of the customs union will have to be thought through very carefully." (Note: SACU revenues are a crucial source of budget support for Botswana, Lesotho, Namibia, and Swaziland. End Note.)

14. (SBU) Comment: SACU has been controversial with many SAG officials (particularly in National Treasury) who grumble about the disproportionate share of SACU revenue that goes to other member states. SACU is also seen as anachronistic by some SAG officials more focused on SADC-wide integration. However, the political implications of tearing up a regional integration treaty would be significant, and ensure that Pretoria will not take this step casually. End Comment.

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